



STATE OF TENNESSEE
TENNESSEE COMMISSION ON CHILDREN AND YOUTH

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AUDIT COMMITTEE

Board of Education Conference Room
Andrew Johnson Tower, Ninth Floor
Thursday, February 2006
12:00 Noon

MINUTES

Committee Members Present

Jim Ford, Chair
Jerry Maness
Drew Johnson
Cindy Durham

Staff Present

Pam Brown

Committee Members Absent

Beverly Cosley

Guests

Art Hayes, Director State Audit
Charles Bridges, Assistant Director State Audit
Chuck Holland, Finance and Administration
Theresa Hensley, Audit Manager for TCCY

Chair Ford called the meeting to order at 12:00 Noon.

I. History of Audit Committee and Responsibilities

Art Hayes began with an explanation of the new Tennessee audit law, passed after the audit problems with the University of Tennessee. The situation with UT brought to light the need to establish parameters for governance. The audit department does not expect the Commission to have to do a lot of things differently, it is more about documentation. Management is responsible for assessing the risk for fraud, waste and abuse from both inside and outside the agency. Audit does not have problems with TCCY and the fact that TCCY is on a three year cycle indicates that the agency is a low risk. He further went on to discuss our two previous findings. When we are discussing information such as this the minutes are not subject to the open meetings law. Management completes a documented

risk assessment and the audit committee reviews it, it should be written clearly so all Commission members can understand it. The Executive Director delegates to each section director of TCCY responsibility to address problems based on their expertise or responsibility.

The Directors identify areas of risk and how to establish transparency through documentation. It is not necessary to have an internal auditor. State audit is willing to assist but would not establish the system because it presents a conflict with auditing their own procedures. Good internal controls are founded on the principle of ongoing monitoring linked to assessment of risk. Begin with the agency audits which are consistent and very generic and have identified areas of risk, policies and procedures.

The key to internal controls is accountability and consequences. Most problems occur because of a mistake and when the employee realizes they will not get caught. Revenue is inherently risky, council's bank accounts are a red flag for audits, no state employee should handle the accounts. Care should be paid to those bank accounts. Expenditures and travel claims are another area of high risk; an example was given how employees avoid accountability by doing split invoices.

The auditors liked the TCCY response from management regarding the audit findings when it began with "management concurs".

Ford stated a concern regarding the federal grants monitoring and reviewing the fiscal stability of agencies that receive federal dollars. Hayes stated that there has been debate at the federal level regarding the necessity of receiving independent audits. The Single Audit Act covers agencies that receive a total aggregate of federal dollars over \$300,000, and states that they are required to have an independent audit. It is ultimately the responsibility of the agency to safe guard the money.

Hays stated that if we are working on our plan and have questions about it we should call them.

II. Report from Finance and Administration Shared Services

Holland introduced himself and reported that he is the person providing consultation to TCCY in the form of shared services. He explained the goal is to assist TCCY in developing the billing codes to simplify the reporting process and produce timely reports for management purposes, called the cost allocation system. Staff was put into labor distribution system to allocate time to appropriate allocation codes.

The cost allocation system for programs set up cost centers linked to the staff positions and to particular grant funds. The cost centers system was set up on January 1, 2006, so all the labor is allocated from this point forward. The beauty of the system is that it allows future changes to groups by program or funding. Holland stated that he is willing to work on this project until a replacement for the Accounting Director position is found. Holland reported that he also assisted with the budget questions for the legislature.

Ford asked if all of the expenditures related to the DMC Task Force come in to our office. Durham stated that she thinks that it all comes to TCCY and is paid out of this office.

Ford stated that there is nothing much else for us to do right now except to work on our Charter.

Meeting adjourned at 1:00 p.m.

Minutes Submitted by:

Minutes Approved by:

Pam Brown, Director KIDS COUNT

Jim Ford, Chair

H DRIVE/SHARED FILES/COMISSION/MINUTES FOLDER